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EFTA Bulletin

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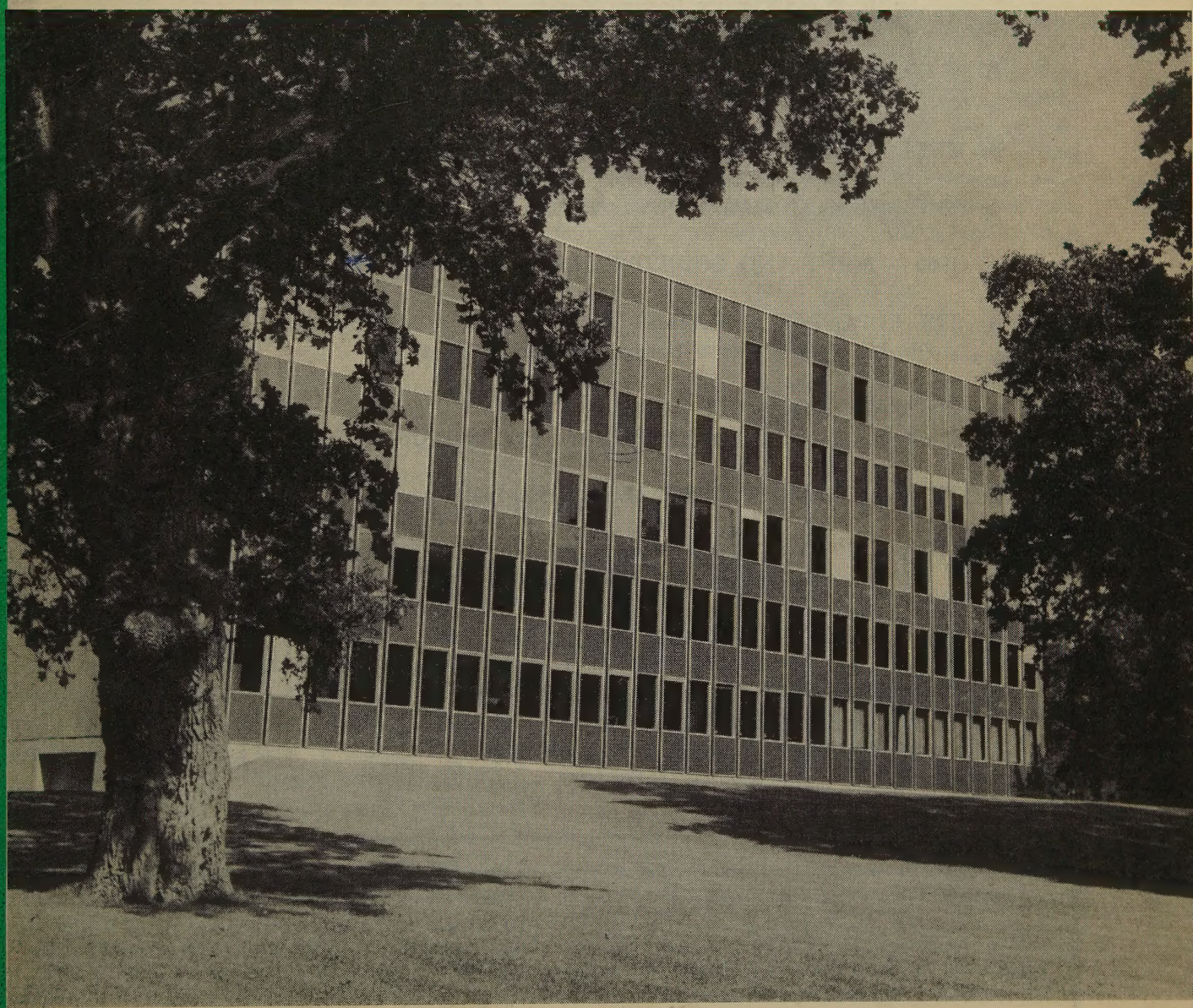

32, CHEMIN DES COLOMBETTES, GENEVA (Photo: Eric Schwab)

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EFTA — A HISTORIC STEP

THE progress of humanity towards peace and prosperity is attended by many difficulties and setbacks. It is hard today for us to realize that the world before 1914 had largely achieved what the world of today is earnestly seeking, namely the free movement of goods and services between countries and continents. World War I brought a total disruption of these liberal multilateral relationships. Since the end of World War II, many efforts have been made to establish better conditions which could lead to another period of rapid economic growth and increased well-being. It is not surprising that progress is slow and sometimes difficult of achievement. As it would be impossible to reach at once a world-wide settlement which would provide in the circumstances of today for a world economy such as existed before 1914, regional efforts must be welcomed. The European Free Trade Association represents a historic step in that direction. Its ultimate aim is the creation of a single market which would embrace at least all the members of the O.E.E.C., who have so successfully cooperated in the economic field over the last ten years.

Another step in the same direction, motivated not only by economic, but also by political considerations, was the establishment of the European Economic Community (Common Market) by six European countries. The Governments of the thirteen countries comprised in EFTA and in the Common Market now face the great responsibility of avoiding a permanent or even prolonged cleavage between the two groups, which would be harmful to the objective mentioned above, detrimental to European solidarity and strength and in contradiction to the intentions professed on both sides.

For their part, the Governments of the countries belonging to the European Free Trade Association are determined to make their organization an instrument not only for the improvement of their economies and the prosperity of their countries, but for the good of Europe and the world at large. They are convinced that a formula can be found which will avoid the splitting up of Western Europe into two groups, while at the same time safeguarding the independence and the political sovereignty of those countries which prefer to limit the integration process to the economic sphere. It is in this spirit and in this conviction that EFTA has become a living reality on 1st July 1960. I am confident that it will achieve the high purposes it has set itself.

F. T. WAHLEN
Vice-President of the Swiss Federal Government, Chairman of the Council of the Association.

This is EFTA

SEVEN European states—Austria, Denmark, Norway, Portugal, Sweden, Switzerland and the United Kingdom—came together in 1959 to form the **European Free Trade Association** (EFTA). From 1st January 1970, if not before, goods manufactured within the area will be traded between the Seven as if no frontiers existed; import duties, and other trade barriers, will have disappeared. The Member States of EFTA are bound by rules to ensure free and fair competition. Trade in agricultural products and fish will be less restricted than hitherto.

The Stockholm Convention establishing EFTA is designed to achieve these ends by methods which will contribute to the expansion of world trade as a whole. The member States of EFTA also have the object of working for the removal of trade barriers and the promotion of closer economic co-operation between all the Member States of the O.E.E.C.,* including those who together form the European Economic Community.**

* The Organisation for European Economic Cooperation was established in Paris in 1948. Its 18 Member States are the Seven of EFTA, the Six of the Common Market (E.E.C.) and Eire, Greece, Iceland, Spain and Turkey. The remodelling of O.E.E.C. as the Organisation for Economic Cooperation and Development, with the United States and Canada as full members, is now being discussed.

** Belgium, France, Germany, Italy, Luxembourg, and the Netherlands.

The Convention

The EFTA Convention (popularly called the Stockholm Convention after the capital in which it was concluded on 20th November, 1959) came into force on 3rd May, 1960, when the Member States deposited their instruments of ratification with the Swedish Government.

In the words of the Convention, EFTA's objectives are :

(a) " to promote in the Area of the Association and in each Member State a sustained expansion of economic activity, full employment, increased productivity and the rational use of resources, financial stability and continuous improvement in living standards;

(b) to secure that trade between Member States takes place in conditions of fair competition;

(c) to avoid significant disparity between Member States in the conditions of supply of raw materials produced within the Area of the Association; and

(d) to contribute to the harmonious development and expansion of world trade and to the progressive removal of barriers to it. " (Article 2)

Basic Provisions

EFTA Member States will reduce and ultimately eliminate import and export duties on trade within the area. (Articles 3 and 8)

The time-table for the reduction of import duties on industrial goods began with the 20% reduction of 1st July, 1960, and continues over a 10-year period with eight further reductions, each of 10%, the last taking place on 1st January 1970. The Council may at any time decide that any import duties shall be reduced more rapidly.

Since EFTA is a Free Trade Area and not a Customs Union, it has no common external tariff and each of its members remains free to fix the level of its tariffs on imports from countries outside the Association. To ensure that goods from outside the area are not imported into a member country with low tariffs only to be re-exported directly to another member country with high tariffs on imports from outside the area, the Convention includes rules determining which goods traded between member states are entitled to benefit from the tariff reductions. *

Quantitative restrictions will likewise be reduced and eliminated on trade within the Area. Restriction on exports must be abolished by 31st December, 1961, and restriction on imports not later than by 31st December, 1969. (Articles 10 and 11) The first step in the expansion of quotas on imports was taken on 1st July 1960.

To ensure that the benefits expected to result from the removal of tariffs and quotas are not frustrated by other measures, rules of fair competition are established in Articles 13 to 17, covering such matters as subsidies, the trading practices of public undertakings, restrictive business practices, regulations governing the establishment of economic enterprises, and dumping.

Three articles provide for exceptions from the operation of the above rules, in certain circumstances. These cover security and defence, balance of payments difficulties, and unemployment difficulties in a particular sector of industry or a region due to increased imports from other Member States. (Articles 18 to 20)

Other Features

Special considerations apply to agriculture and fisheries and for that reason only Articles 1 (Establishment of the Association) and 17 (Dumping) apply to them. Agriculture and Fisheries products are listed in Annexes D and E and dealt with in Articles 21 to 28 of the Convention. The aim of the Association is to enable trade in these products to expand and that objective is being pursued by means of separate agreements between Member States and by consultation between them.

The remaining provisions (Articles 29 to 44) deal with " Invisibles " and Economic Policy (for which arrangements already exist in other international organisations); with Consultations and Complaints; with the Institutions; the administrative arrangements, and the budget; with accession and association, and with various matters of a more technical nature.

Fundamental Objectives

EFTA's aim is to achieve free trade in industrial goods between the Seven countries and to enable their trade in agricultural and marine products to expand. The Member States are determined:

(i) to do all in their power to bring about an accommodation between the Seven and the Six, in order to achieve a single market and the closest economic cooperation in Western Europe;

(ii) by preserving the unity and increasing the economic strength of Europe, to enable it to contribute to the expansion of world trade and so assist the newly developing countries.

* An article on these " origin rules " will be published in a future issue of the EFTA *Bulletin*.

EFTA in Action

THE Council of the Association which is responsible for supervising the application of the EFTA Convention, held thirteen meetings at official level between 3rd May, when the Convention came into force, and the latter part of September 1960. At these meetings member states have been represented by the Heads of their Delegations to EFTA or their deputies. At Lisbon on 19th-20th May a meeting of the Council was attended by Ministers from the seven member countries, and they also held an informal meeting on 21st July while they were in Paris for the discussions on the reorganization of the O.E.E.C. During the second half of 1960 the Swiss representative is presiding at meetings of the Council.

The main business of the Council during the first months following the ratification of the Convention has been the setting up of the Secretariat charged with administrative functions, and committees to deal with customs, trade and budgetary matters. The Council has taken a number of decisions in connection with the first tariff reduction of 20%, reviewed the programme of future reductions, and considered the relations of EFTA with other organisations and with countries outside the Association, notably Finland. Action is being taken to make the nature and purposes of EFTA better known.

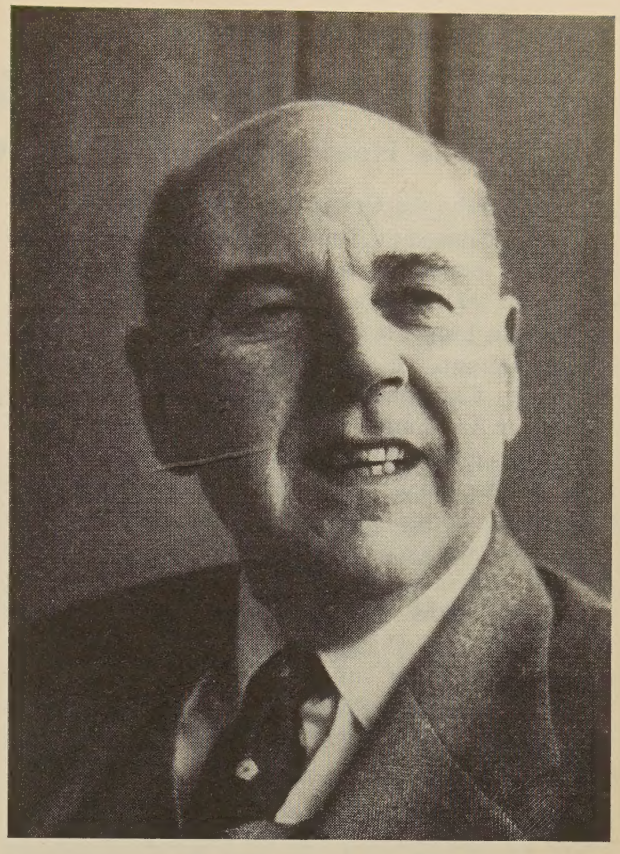
The Secretariat

At the beginning the Secretariat was headed by Mr. Sten Lindh, as Executive Secretary. An official of the Swedish Ministry of Foreign Affairs, he had taken a leading part in the negotiations for the establishment of EFTA. After building up the Secretariat he returned to Stockholm in September. In that month, Mr. Frank Figgures, C.M.G., formerly an Under-Secretary in the Treasury in London, took up office as Secretary-General. At present the Secretariat consists of under thirty persons in all. The establishment regulations were finally approved by the Council on 20th July 1960 and put into effect. On 28th July a Protocol was signed between the Association and the Swiss Government determining the legal personality, privileges and immunities of the Association.

The Secretariat at present comprises four Departments: Trade Policy; General and Legal; Information and Press; and Administration and Finance. An Economic Department is to be formed.

On 12th September the Secretariat moved from the Bâtiment Electoral to permanent offices at 32, Chemin des Colombettes, Geneva, near the European Headquarters of the United Nations.

The financial expenses of the Association are met by contributions from member states. The expenditure of the Association in 1960-61 will be about 1,750,000 Swiss Francs (£150,000).



Mr. Frank E. Figgures

THE Secretary-General of EFTA, Mr. Frank E. Figgures, has had exceptional experience of international trade and financial questions. In 1947, a year after joining the United Kingdom Treasury, he was brought into European trade questions by participating in the preparatory work with Sir Oliver Franks on the European response to the Marshall Plan. On the foundation of the Organisation for European Economic Cooperation in Paris in 1948, Mr. Figgures was lent to the new organization to become Director of Trade and Finance. In this post he played a leading part in the establishment of the European Payments Union and in the programme for the liberalisation of European trade. Later, after returning to the United Kingdom Treasury, he was intensively concerned as Under-Secretary with the negotiations on European trade questions, out of which the EFTA was established this year. This work—over a period of some twelve years—has made him widely known among Government leaders and officials throughout Europe and the U.S.A.

Born in London in 1910, Mr. Figgures was educated at Rutlish School and Oxford University, where he studied history and gained a post-graduate scholarship. He also spent some time in the United States where he attended the Yale Law School. In 1936 Mr. Figgures became a barrister and was soon taking an active part in public affairs.

The British Standpoint

EUROPEAN ECONOMIC UNITY

The House of Commons Speech by the Rt. Hon. Selwyn Lloyd

ON 25th July, the United Kingdom House of Commons debated the United Kingdom Government's economic policy towards Europe. Opening the debate, the then Secretary of State for Foreign Affairs, Mr. Selwyn Lloyd, recalled the course of negotiations bringing about the establishment of the European Economic Community (EEC) and the European Free Trade Association (EFTA). Stressing the United Kingdom support for the EEC, he said : " We have, from the beginning, welcomed the formation of the Community of the Six as a step towards European unity. We welcome the economic strength and the political cohesion that the Community of the Six is bringing about. In particular, we welcome the new relationship which it embodies between France and Germany. But although we have welcomed the Six from the beginning, we have always been conscious of the danger that it might lead to a political division between us."

Problems Facing Britain

Mr. Lloyd went on to say that the Government's purpose was a united Europe, and it accepted the need for some political organisation as an element in this unity. There were, however, certain problems. The first of these was relations with the Commonwealth. " Acceptance of a common tariff of the Six, as laid down in the Treaty of Rome, would be the end of the principle of Commonwealth duty-free entry of goods and commodities. It would mean not only putting a tariff on the Commonwealth, but giving free entry to European producers and so a preference to them over the Commonwealth producers except for items on which the common tariff is nil. This would affect a large part of the Commonwealth sales in this country.

" If, in addition, we adopted the common agricultural policy of the Six, embodying protection not only by tariffs but by various other means, this would be a further blow to one of the most important parts of Commonwealth trade. "

The second problem was agriculture, and the Foreign Secretary observed that agricultural policies in force in the countries of the Six were basically different from those in the United Kingdom.

The third matter was commercial relations with third countries. " Under the Treaty of Rome, apart from the question of co-ordination of common policies within the Community, by 1970 members would have to abandon their direct commercial relations with third countries. In Britain's case that would mean, amongst others, the countries of the Commonwealth, and the political consequences of such a development would be far-reaching. We have to remember that we do 84 per cent, I think it is, of our trade with countries outside the European Community, but, by their rules, by 1970 we would have to abandon our direct commercial relations with third countries. "

In company with its EFTA partners, the Government had repeatedly expressed a readiness to discuss their long-term problems with the Six. " But the fact must be faced that, in the various discussions on these matters in recent weeks, the Governments of the Six have made it clear that they are not at present prepared to discuss long-term solutions."

Course of Action

Describing the courses of action that the United Kingdom should take, the Foreign Secretary noted: " First, we have to develop, in every way we can, our trade and other relations with EFTA. As I have already said, there are many promising opportunities there. Secondly, there is no reason why EFTA trade with the Six should not expand, in view of the general prosperity in Europe. This will be our aim, and I am not at all sure that there is not a little too much defeatism in some quarters about the future of our trade with the Six.

" Next, it is in our interest from every point of view to try to reduce, so far as possible, the discrimination between the two groups and to play a full part in the GATT conference this winter in order to bring about a useful reduction in the level of world tariffs. In addition, and perhaps the most important of all, we have to do all in our power to strengthen the political will in Western Europe directly towards achieving satisfactory and suitable arrangements. "

Conclusion

In conclusion, Mr. Lloyd observed: " I fully agree that this involves a political relationship just as much as an economic relationship, but both those relationships must depend upon the kind of solutions which may be found possible to the problem and difficulties which I have outlined. When we talk of suitable arrangements, I certainly would not exclude participation in common institutions. Therefore, in the absence of discussion of long-term problems with the Six, the courses which I have set out today are what it is best for us to do.

" We recognise, however, that none of these courses is a full substitute for a thoroughgoing European solution. In the present state of the world—the current difficulties in East-West relations, the explosive happenings in Africa, the dangers elsewhere— it is obvious that Western Europe must come closer together. "

The Austrian Position

EFTA AND THE NEUTRAL COUNTRIES

by Dr. Bruno Kreisky, Austrian Foreign Minister

I should first of all point out that EFTA is not an organisation established by chance nor is it a "club of the discriminated".

All of the countries belonging to EFTA are traditional trading nations situated either along the great thoroughfares of Europe or on the shores of the oceans. Freedom of trade is, therefore, one of their natural concerns.

Like those other European countries adhering to the great alliance systems of the free world, the neutral countries of Europe—or, as they are sometimes called, the non-committed countries of Europe—find it desirable and necessary to take part in the overall process of European economic integration. These countries, however, are not in the position to accept that large degree of integration which the architects of E.E.C. are striving to bring about rapidly because their special international position imposes on them the obligation of maintaining a far-reaching freedom of action in foreign policy.

For these countries EFTA represents a form of integration whereby they too are given the possibility of active economic co-operation with other countries of Europe. It is not by chance, therefore, that in EFTA three neutral countries are included which by their accession have proved that they also are ready to co-operate in European integration.

Thus, if one essential function of EFTA is the creation of a free economic association which will permit the largest possible number of countries to participate in European economic co-operation, then its second important task will be to seek a road for an understanding with the second large organisation for the integration of free Europe—the European Economic Community.

(From Neuer Kurier, *Vienna, 3/9/60.)*

Visit to EFTA Secretariat

Twenty-five journalists from six of the seven EFTA countries, invited to Switzerland on the initiative of the Office Suisse d'Expansion Commerciale, had the opportunity of visiting the EFTA Secretariat on Friday 23rd September.

Sir Edgar Cohen, Head of the United Kingdom Delegation to EFTA, welcomed the party in his capacity as Vice-Chairman of the Council. In a short address, Sir Edgar Cohen spoke about the Stockholm Convention and the way in which the Council and Secretariat had set to work. He said that the party would find in Switzerland a country with low tariffs and a keenly competitive economy, which gave employment for large numbers of workpeople from other countries. After Sir Edgar Cohen and the Deputy Executive-Secretary had answered a number of questions the journalists met informally Heads of national Delegations to the EFTA and their Deputies, as well as senior officials of the Secretariat.

A Fundamental Part of British Policy

by the Rt. Hon. Reginald Maudling, President of the Board of Trade

I welcome the opportunity which you have offered to me for stating once again, as I did in the House of Commons debate on July 25th last, that the Stockholm Treaty and EFTA are now a fundamental part of British policy. As I said then, we signed this Treaty believing that it will be of benefit to us, to our colleagues and to the whole of Western Europe, and we intend to carry it out in the letter and the spirit.

There is much work for EFTA to do. It presents a chance not only for the expansion of trade between its Members, but also for collaboration over a wide economic and social field. As I said in Zurich during my visit earlier this year, EFTA's basic object is not only to create one single area of trade in which each individual country retains control of its own commercial policy, but an organisation that, whilst contributing very much to the prosperity of the seven countries, will also enable them to work together more closely on political questions.

I would add that over this whole matter there has been a broad area of agreement between the Government and Her Majesty's Opposition. Mr. Harold Wilson, as principal speaker on behalf of the Opposition, said during the July debate that Britain cannot now pull out of EFTA nor desert those Member countries who could not join the Six.

I shall be glad if, through the medium of your Chamber, my statement can be brought to the attention not only of all your Members, but also of others who are interested in the furtherance of economic and other relations between the countries of the Seven.

(From the Journal of the British Chamber of Commerce for Switzerland, September 1960.)

EFTA Ministerial Meeting
Berne 11th-12th October 1960

At the invitation of the Swiss Government the Council of the European Free Trade Association is meeting in Berne on 11th—12th October. This is the second Ministerial meeting of the Council since the Convention came into force; the first was held in Lisbon on 19th—20th May. Previously Ministers from the seven countries met in Paris in January and in Vienna in March.

At Ministerial meetings the Council reviews progress made with the establishment of the Association and with the fulfillment of its objectives, and takes decisions on matters of particular importance. These meetings also provide an opportunity for informal discussions between Ministers.

The Lisbon Communiqué
20th May 1960

THE first meeting at Ministerial level of the Council of the EFTA took place in Lisbon on 19th and 20th May.

The Council noted with satisfaction the progress which had already been achieved in the development of trade and economic activity within the EFTA and agreed that policies to this end should be energetically pursued.

They decided that the study of the more rapid reduction and elimination of tariffs inside the EFTA, foreseen in paragraph 5 of Article 3 of the EFTA Convention, should begin forthwith.

The text of paragraph 5 of Article 3 of the EFTA Convention reads:—

The Council may at any time decide that any import duties shall be reduced more rapidly or eliminated earlier than is provided in paragraph 2 of this Article. Between 1st July, 1960, and 31st December, 1961, the Council shall examine whether it is possible so to decide in respect of import duties applied on some or all goods by some or all of the Member States.

Ministers discussed the present situation in Europe. They were more than ever convinced of the necessity in present circumstances not to neglect any opportunity to strengthen the cohesion of Europe and expressed their increasing concern at the distortion of the European economy which will take place if the Six and the Seven continue to drift apart.

In these circumstances they warmly welcomed the approach of the Six in which the importance of maintaining and if possible increasing the traditional trade between the Six and the Seven is recognised. They still consider that a Europe-wide market, for which there has always been a wide measure of support, is the best solution. The proposal they made at the Vienna conference in March showed that the Seven are willing, even for a temporary solution, to agree to arrangements which involve substantial sacrifices on their part.

The Governments of the Member countries of the EFTA will approach the negotiations of the Trade Committee in Paris in a constructive spirit. They welcome the readiness of the Six to pursue these negotiations actively and in a spirit of friendly cooperation so as to solve the trade problems presented by the existence of the two groups. They believe that, with a willingness to compromise on both sides, these negotiations should make it possible to settle in the common interest the economic problems created by the existence of the E.E.C. and the EFTA. Such a settlement, while preserving the integrity of the E.E.C. and the EFTA, should provide for a partnership of the two in a common system of European trade consistent with the GATT and contributing to the development of liberal policies and the expansion of trade throughout the world.

* * *

The Council discussed the report by the Group of Four on the remodelling of the O.E.E.C. and welcomed the proposal that the United States and Canada should participate as full members in the future organisation. They emphasised the importance which their governments attach to the establishment of an organisation which would be able to maintain and develop the achievements of the O.E.E.C. and provide a forum in which the countries of Europe could continue their co-operation in economic affairs.

* * *

The Ministers welcomed the sympathetic attitude taken by the Contracting Parties to the GATT when the EFTA Convention was presented to them at their present session. They reaffirmed their intention to develop the EFTA on lines fully consistent with the multilateral principles of the GATT.

On the second day of their discussions Ministers held a special meeting attended by representatives of the Finnish Government. The Council took note of the satisfactory results reached in drafting an agreement defining Finland's relations to the EFTA.

1960—Point and Counterpoint

4th January. **EFTA Convention signed.**

12th January. **Ministers from EFTA countries meet in Paris;** further meetings are held on following days.

12th-13th January. Special Economic Conference in Paris adopts Resolutions providing for a Development Assistance Group, a 21-member Trade Committee, and a Group of Four to report on the Reorganisation of the Organisation for European Economic Cooperation.

14th January. Ministers from Twenty Governments decide to give effect to these Resolutions.

18th February. **Decision to establish the EFTA Secretariat in Geneva is announced.**

11th-12th March. **Ministers from the EFTA countries meet in Vienna.** They declare their Governments' readiness to " discuss extending on 1st July to the Six and to other countries in accordance with the principles of the GATT the tariff cuts they are due to make by that date, to the extent that the Six are prepared to act on a reciprocal basis ".

29th-30th March. Meeting of the 21-member Trade Committee in Paris.

3rd May. **The EFTA Convention enters into force** when the Instruments of Ratification are deposited with the Swedish Government at a ceremony in Stockholm.

16th May-4th June. 16th Session of the GATT (General Agreement on Tariffs and Trade) is held in Geneva. **The examination of the EFTA is begun.**

19th-20th May. **The EFTA Ministerial Council meets in Lisbon.** (For the text of the Communique see page 8.)

9th-10th June. Meeting of 21-member Trade Committee in Paris. A Study Group is set up to review difficulties arising from tariff adjustments by the Seven and the Six.

1st July. **EFTA countries make first 20% tariff reduction among themselves and increase quotas.** Tariffs within the Common Market of the Six are reduced by a further 10%, making a total reduction of 20%.

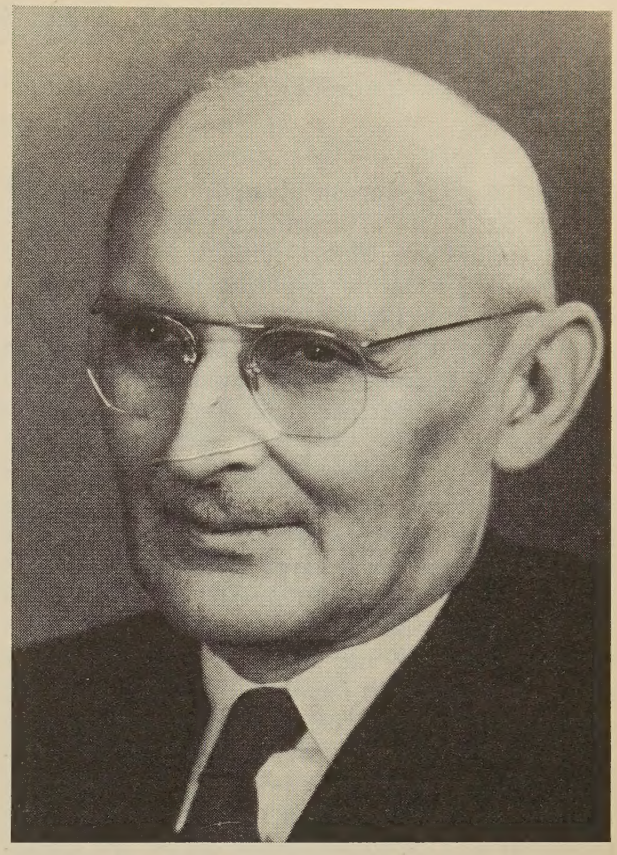
21st July. **Ministers from EFTA countries hold informal meeting in Paris.**

22nd-23rd July. Ministerial Conference in Paris on the Reorganisation of the O.E.E.C. Mr. T. Kristensen is appointed Secretary-General of the O.E.E.C. in succession to M. René Sergent, and Secretary-General Designate of the future Organisation, to be known as the Organisation for Economic Cooperation and Development.

1st September. **Mr. F. E. Figgures takes up his appointment as Secretary-General of EFTA.**

27th September. Consultative Assembly of the Council of Europe meeting in Strasbourg holds debate on European economic relations.

11th-12th October. **Second Ministerial Meeting of the Council of EFTA arranged to take place in Berne.**



Mr. F. T. Wahlen, *who will preside at the Ministerial meeting of EFTA in Berne on 11th-12th October, was a distinguished scholar and international civil servant before becoming a Member of the Swiss Government.*

Born in the Canton of Berne in 1899, Mr. Wahlen studied agricultural science at the Federal Polytechnic Institute in Zurich. After two years' research work there, he went to Canada and at the age of 25 was made Director of the Seed Branch of the Canadian Department of Agriculture. Returning to Switzerland in 1929, he became Director of the Agricultural Research Establishment at Zurich/Oerlikon.

In 1943 Mr. Wahlen became Professor of Agriculture at the Federal Polytechnic Institute, Zurich, but six years later he went abroad again to serve as Director of the Agricultural Division of the United Nations Food and Agricultural Organisation (FAO) in Rome.

From 1942-1949 Mr. Wahlen was a member of the Swiss Council of States (Senate), and on his return from Rome in 1958 he became a member of the Swiss Government. Mr. Wahlen is now responsible for the Department of National Economy, and Vice-President of the Swiss Federal Council.

THE EUROPEAN SITUATION TODAY

by Mr. Halvard LANGE, Foreign Minister of Norway, addressing the Political Committee of the Council of Europe, in Oslo, 1st September 1960

WHAT is the European situation to-day? The Six are on the eve of negotiations with other countries in various international settings. Some of these negotiations are due to American initiatives, others will take place in the GATT in accordance with the stipulations of that organisation. It was an American initiative last December which paved the way for the informal Paris conference about European economic problems in January. We there agreed to re-adapt the O.E.E.C. to the needs of the 1960's, and that is what we are now trying to do. The new Organisation for Economic Cooperation and Development, or O.E.C.D. for short, will have two distinctly new features compared to the old O.E.E.C. First of all the membership will be extended to include the United States of America and Canada. This is in itself a move of the greatest importance and will, we hope, contribute to the strengthening of the ties between the Western European and North-American democracies. There is, however, a price to be paid for this membership. The American Constitution sets limits to how far the U.S. administration can go, and regardless of how well-intentioned the U.S. initiative has been, it will nevertheless—inevitably it seems—lead to the replacement of the effective work so far performed by the O.E.E.C. by a looser kind of cooperation of a more consultative character.

GATT Negotiations

The January economic conference in Paris also led to the establishment of a Trade Committee for the discussion of trade problems in Europe, with priority for relations between the Six and the Seven. Within the framework of this Committee we are now busy preparing a joint "European approach" to the forthcoming tariff negotiations in GATT. But we should not exaggerate our expectations as far as this exercise is concerned. There are definite limits to how far we can get. Let me only mention one factor.

The idea of a joint European effort during the GATT negotiations to reduce the pressures between the Six and the Seven and lessen acute trade problems is in itself good, based as it is upon the old idea of a European commodity list. Whatever will be the merits of such a list, the tariff concessions given will have to be extended to all countries on a "most favoured nation" basis. And since almost every commodity traded between European countries can also be imported from the U.S., it is hard to believe that the European countries will not look over their shoulder to the U.S. concessions when they negotiate on the basis of the European list. And here the fact is that the United States' Reciprocal Trade Agreement Act permits in theory a 20 per cent reduction of customs tariffs. Due to escape clauses and "peril points" procedures the over-all reductions are, however, in practice not likely to amount to more than 4-5 per cent. A reduction of this rather modest size in the general level of tariffs will, of course, be of some help, but will not solve the basic problem.

Political Will

Nevertheless, we sincerely hope that the negotiations about the reorganisation of the O.E.E.C. and the tariff negotiations in GATT will lead to some good results. But—I am sorry to say—we are not too optimistic. The procedure we have adopted will at best only to a certain extent bring about the results we are looking for. This, of course, is basically due to a lack of political will. On the other hand, if we had had the political will, we would probably have adopted a quite different procedure.

The problem then is to create that political will which up till now seems to be lacking. And I think we would all agree that there are to-day some new elements in the situation. The deterioration in the relations between the leading world powers, and lately the troubles in other parts of the world may have strengthened the realisation of how necessary it is to avoid any lasting split in Europe. And the task to which we must now devote ourselves is to improve further the political atmosphere in Europe. We must create the political climate for a new approach.

Hopeful Signs

There are some hopeful signs. The meeting in Bonn between Chancellor Adenauer and the Prime Minister of Great Britain, Mr. Macmillan, is one of them. The speech of investiture of the Italian Prime Minister, Signor Fanfani, three weeks ago, is another. We shall probably witness more talks and exchanges of visits. I shall not try to forecast the outcome of such exploratory contacts. I only wish to say that we for our part are willing to do our utmost in order to facilitate the improvement of the political atmosphere which is a necessary precondition for serious negotiations.

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EFTA AND THE GATT

by Mr. F. T. WAHLEN, Vice-President of the Swiss Government

AT the opening session of the GATT Tariff Conference in Geneva, on 1st September, 1960, Mr. F. T. Wahlen, Vice-President of the Swiss Government, spoke about the issue of European regionalism and the problems created by the existence of the two groupings, the Six of the European Economic Community and the Seven of the European Free Trade Association. He described these as problems of vital scope, both to Europe and the rest of the world. The question being asked was what GATT could do to deal with these difficulties.

Speaking as a representative of a country belonging to the EFTA, Mr. Wahlen recalled that they advocated the adoption of a formula which the General Agreement on Tariffs and Trade very conveniently put at their disposal, namely the creation of a European free trade zone, in the sense of Article XXIV of GATT, comprising the whole O.E.E.C. area. " We still think ", Mr. Wahlen said, " that this is the best solution to the problem if we seriously desire to avoid a disruption of traditional trade channels in Europe. If there is an economic area in the world that was already integrated in actual fact to a very considerable extent even before the catchword of " integration " was launched, it is certainly Western Europe, where, owing to the admirable achievements of O.E.E.C., a prosperous and expanding economic community emerged from the ruins of World War II. "

" So it seems appropriate ", Mr. Wahlen continued, " to ask ourselves whether it is reasonable to jeopardise the existing unity, loose though it may be, in order to embark on more far-reaching ventures. Let me make one point absolutely clear: we are surely not lacking in sympathy for the programme of achieving *political* integration which our friends of the six countries of the E.E.C. stand for. We feel that their efforts could greatly contribute to the stability of our old continent. We are, on the other hand, heartened by the repeated assurances given by leaders of the E.E.C. that *economic* stability is just as much in the forefront of their minds, with particular regard to the interests of countries outside Europe.

Common Objective

" As for the European Free Trade Association, it is, by its very nature, an outward-looking community. Member countries retain the autonomy of their foreign trade policy and can thus uphold their very close and intense trading relations with the outside world. Since both E.E.C. and EFTA agree on a common objective, there should be no slackening in our efforts finally to achieve an integrated European trade system, compatible with the rules of GATT, committed to liberal foreign trade policies, so that our overseas partners will be able to preserve and steadily develop their share in European markets.

" In the meantime, while we are awaiting this happy solution—which, we hope, is very close—the new GATT tariff conference provides us with a magnificent opportunity to prove the seriousness of our purpose to maintain existing trade channels. We therefore intend—and here I can speak for all EFTA countries—to participate in the tariff negotiations with the European Economic Community. Our participation should not, however, in any way be taken to mean that we have given up hope of establishing a trading system that will include all O.E.E.C. countries. In other words, what we seek with the Six is, as in the past, *a European trading system and not merely compensation.*

Gatt Tariff Conference 1960/61

The fifth tariff negotiating conference held under GATT (the General Agreement on Tariffs and Trade) falls into two phases. The first, from September to the end of December, 1960, will be largely concerned with re-negotiations of " bound " rates of duty with the six Member States of the European Economic Community. This is due to the fact that while lowering some rates, the Six will have to increase certain other rates of duty which are " bound " in their GATT Schedules, in order to bring them into line with the corresponding duties in the common external tariff of the E.E.C.

The second phase of the Conference, which is expected to last from January to June 1961, will be largely taken up with negotiations among GATT members for new tariff concessions; it will include negotiations with the E.E.C. for concessions in its new common external tariff. This part of the Conference will provide a further " general round " of tariff negotiations on the same lines as those undertaken in 1947, 1949, 1950-51, and 1956.

Taking into account the results of these four conferences, the GATT tariff schedules comprise some 60,000 items on which the individual rates of customs duty have been reduced or " bound " against increase. It is generally considered that the concessions embodied in the GATT Schedules cover more than half of the total trade of the world. The tariff stability which has been achieved through the GATT provides a basis for the reduction of trade barriers of all kinds.

Importance of maintaining trade patterns

" This being said, let me tell you what possibilities I personally see for preserving existing trade patterns in Europe through the instrument of the GATT negotiations. The first thing to remember is the old, simple and time-honoured experience that low tariffs favour trade while high tariffs do not. This means that trade flows more abundantly to regions, where, for the products in question, tariff rates are moderate, low or even non-existent. It follows that if we want to maintain the channels which low tariffs have carved through the trade geography of Europe, we have to maintain these rates wherever we can. Around such low tariff rates, which are among the most precious vehicles of international trade, a whole system of traditional relationships, personal, financial and others, has usually been built, which it would be disastrous to destroy. I greatly value these traditional trade patterns and all the numerous elements they consist of, because highly meritorious human efforts have made them what they are. On the other hand, I feel rather doubtful, I am afraid, about so-called compensation, calculated arithmetically, pencil in hand, which claims to replace by a merely intellectual operation what years of toil and labour have achieved in the world of economic reality. Whoever has any practical knowledge of commercial relations will, I think, agree with me. I am far from contesting that calculations of the kind I mentioned may be required to live up to the letter of some international agreements; but what is needed still more is to respect the necessity of maintaining—and further developing—economic relations *as they exist*, in Europe as well as between Europe and the rest of the world, to the benefit of all countries concerned. It is, I trust, in this spirit that the forthcoming negotiations in GATT will be conducted. "

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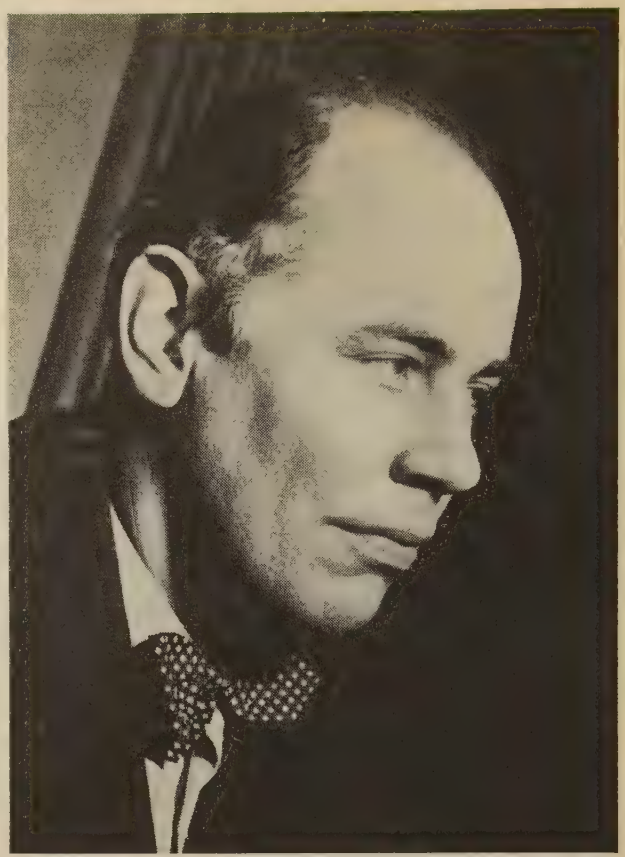


Mr. Gunnar Lange

EFTA Day at St. Erik's Fair

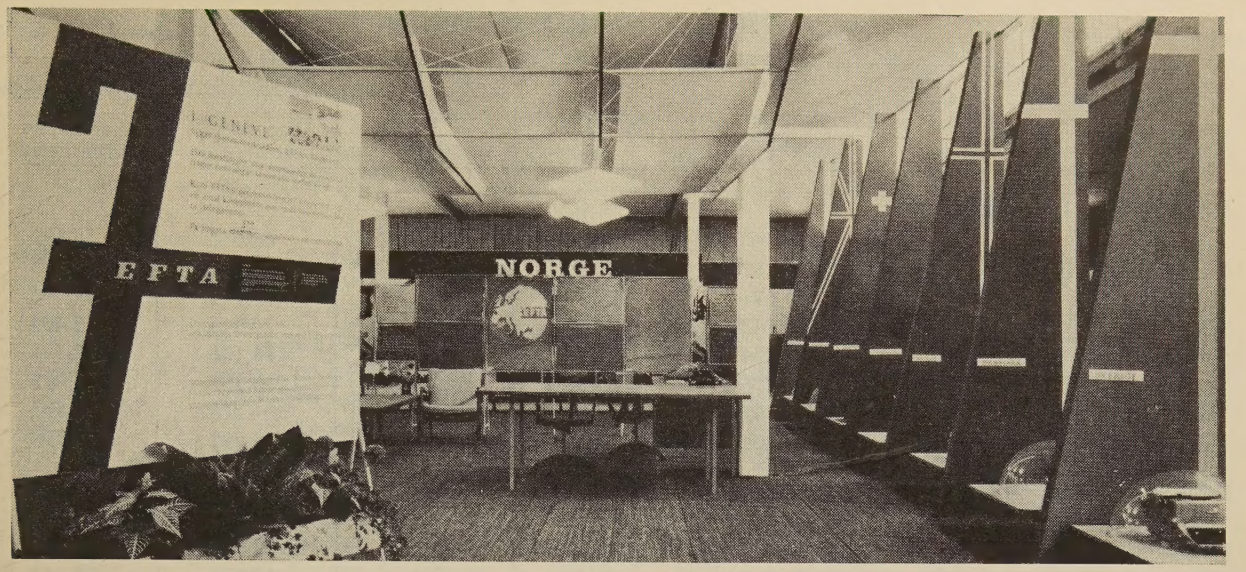
Stockholm, 1st September 1960

A Speech by the Swedish Minister of Commerce, Mr. Gunnar Lange, on the occasion of EFTA day at St. Erik's Fair, in the presence of diplomatic representatives of Austria, Denmark, Norway, Portugal, Switzerland and the United Kingdom.

I am very pleased to notice the new ingredient in St. Erik's Fair which this Pavilion represents. It should be stressed that this is the first time EFTA is represented at an international Fair. The EFTA countries by establishing their Free Trade Area have taken an important step towards a wider liberalisation of international trade. The cooperation between the Seven should also be seen as a direct continuation of the work of freeing trade which in post-war years has been carried out within the framework of the O.E.E.C. In founding EFTA Member countries have given a clear expression of their belief that the multilateral approach to trade problems which has characterised the OEEC is the right one in the future also.

Need for a Regional Approach

We want a wider cooperation for a more extensive liberalisation of trade, and in line with this we would like to see an agreement with the Six and the



The EFTA Pavillion at St. Erik's Fair, Stockholm, September 1960

other O.E.E.C. countries. This regional approach must not be misunderstood. It is only an expression of the belief of the Seven that international trade problems can hardly be solved on a world-wide basis in one step. In the first instance it seems more natural to aim at solutions for groups of countries where economic conditions are more or less similar. Structural adjustments can thus be made in the way found most appropriate for particular groups of countries in different parts of the world. In the last year certain initiatives have been taken which I hope will in due course entail fruitful discussions between the European parties concerned. Here I think of the fact that a joint body has been set up in which the E.E.C. and the EFTA countries have a forum for discussion of problems common to the two groups of both immediate and long-term character. It is too early to say what will come out of these discussions. But I want to stress that too long a delay in reaching an agreement can have serious consequences for both groups and for Europe as a whole. As for the present I want to remind you of the opportunities that the forthcoming GATT negotiations provide for lowering tariff levels in Europe. A substantial reduction of tariffs where they are high would no doubt help to close the tariff gaps apart from a final solution to the European trade problem.

Integration as EFTA's Aim

The Free Trade Association of the Seven is not only to be regarded as a step in the work of negotiation; it is an aim in itself. For the Seven in founding the EFTA have also aimed at creating a form of integration which gives industry in the countries concerned opportunities for development which naturally follow from the establishment of a large market. There is every reason to believe that these opportunities will be taken. Thus the Seven are typical trading nations with a large volume of foreign trade per capita. In their industrial and economic life they have in general reached a stage of development where they are in a position to remove the remaining trade barriers. Their standards of living are high and their production per capita substantially above the European average. Their economies are in certain important respects complementary.

All these circumstances taken together are, I think, a guarantee that the EFTA will confer upon Member countries all the advantages of an expanding home market, further developments in the division of labour, and a more effective allocation of resources. It is as an expression of this belief in mutual economic and commercial progress that the EFTA representation at St. Erik's Fair is to be regarded.

EFTA Directory

Secretariat

Secretary-General: Mr. **Frank E. Figgures.**
Deputy: Mr. **C. H. W. Hodges.**
Heads of Department:
Trade Policy: Mr. **E. Bastrup-Birk** (Deputy).
General and Legal: Mr. **Ch. Müller.**
Information: Mr. **P. A. Ladame.**
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Monthly averages

EFTA POSITION IN WORLD TRADE IN 1959

Thousand U.S. dollars

Reporting Country \ Area of origin or destination	EFTA countries combined	World	Selected areas		
			GATT Area	OEEC countries combined	EEC countries combined
IMPORTS c.i.f.* into:					
Austria	11,140	95,366	80,969	66,918	54,476
Denmark	50,282	132,866	122,282	101,821	50,295
Norway	39,691	109,567	100,429	79,587	38,446
Portugal	8,163	39,458	29,592	24,315	15,404
Sweden	48,854	200,267	176,638	134,136	82,571
Switzerland	20,296	159,433	148,918	118,292	96,013
United Kingdom	91,742	931,023	767,133	264,223	130,593
EFTA Countries combined.	270,168	1,667,980	1,425,961	798,292	467,798
EXPORTS f.o.b.** from:					
Austria	9,327	80,347	61,855	51,172	39,444
Denmark	46,443	114,540	103,252	83,372	34,863
Norway	26,212	67,446	59,930	45,371	17,545
Portugal	4,200	24,173	15,001	10,229	5,492
Sweden	61,884	183,676	158,931	122,637	56,876
Switzerland	21,498	140,263	116,143	81,730	55,963
United Kingdom	83,904	806,401	675,792	243,323	118,472
EFTA Countries combined.	253,468	1,416,846	1,190,904	637,837	328,655

Source: OEEC Statistical Bulletin, Series A.

* c.i.f. = cost, insurance, freight ** f.o.b. = free on board

The EFTA Customs Committee

The EFTA Customs Committee, composed of representatives from the Customs Departments of all the Member States, has been set up by the Council under Article 9 of the Convention which envisages administrative co-operation in Customs matters. The Committee ensures a close and continuous exchange of experience between these Departments on their day-to-day administration of the Customs work arising out of the Convention, particularly in relation to the reduced rates of duty *charged on the products of the Area which are traded between the Member States, and to the EFTA* origin rules *which apply to those products.*

Members of the Committee keep each other informed about their national regulations and procedure governing inter-Area trade. In order to minimise delays and to ensure that official requirements are adapted to the needs of traders, they seek common or harmonised solutions to Customs problems in this field.

Measures agreed within the Committee are recommended to the Council for approval, and the Committee has the responsibility of seeing that these measures are published on the widest possible basis in the Member States, for the information of traders and the public. For example, the Committee has devised special documents for the evidence of EFTA origin required to meet the particular needs of exporters in the engineering industries, and has recently arranged for certain relaxations in the official requirements in the case of consignments of small value.

The Committee also provides the machinery for mutual assistance between the administrations of the Member States in verification enquiries, and other measures of Customs control, relating to evidence of EFTA origin for goods imported by each Member State and the application of EFTA tariff treatment to these goods.

The Chairman of the Committee for 1960/61 is Mr. L. J. White (United Kingdom).

The United Kingdom Economy

Output in the United Kingdom continues at a high level. Industrial production has been levelling out at 6-7 per cent above last year. Employment is full; the latest figures suggest that pressure is no longer increasing as strongly as it was. Home demand is buoyant. In particular, a very rapid increase in fixed investment has been taking place, and this is expected to continue into next year. Manufacturing industry expects to spend 20 per cent more on investment next year. Retail sales have also continued to rise, but more slowly following the hire purchase and credit restrictions. The growth of hire purchase debt has been restrained, and there has been a fall in bank advances. This is in accord with the Government's intention to check the re-emergence of inflationary pressures. The rise in imports has moderated. Exports have fallen, but the rise in the gold and currency reserves has continued through the seasonally unfavourable period. **(London, September 1960)**

TRADE BETWEEN EFTA-COUNTRIES

A. TRADE OF INDIVIDUAL EFTA-COUNTRIES WITH THE REST OF THE EFTA-AREA

Monthly averages or individual months

Thousand U.S. dollars

Period	EFTA countries combined	Austria	Denmark	Norway	Portugal	Sweden	Switzerland	U. K.
				IMPORTS c.i.f.				
1958 Year	**253,159**	**10,000**	**44,151**	**41,220**	**8,612**	**48,249**	**15,415**	**85,512**
1959 1 QR	241,705	9,114	46,056	38,444	6,862	42,085	17,620	81,524
2 QR	269,935	11,389	50,061	38,402	9,429	48,341	20,683	83,630
3 QR	268,193	11,161	50,065	40,847	7,454	44,304	19,933	94,429
4 QR	300,827	12,893	54,939	41,076	8,910	60,682	22,948	99,379
Year	**270,168**	**11,140**	**50,282**	**39,691**	**8,163**	**48,854**	**20,296**	**91,742**
1960 *Jan*	*288,149*	*12,071*	*48,846*	*49,743*	*4,085*	*58,938*	*16,134*	*98,332*
Feb	*309,064*	*12,750*	*56,877*	*48,396*	*7,949*	*58,668*	*22,022*	*102,402*
Mar	*318,890*	*19,431*	*56,974*	*47,419*	*7,171*	*56,777*	*22,616*	*108,502*
1 QR	305,576	14,753	54,286	48,494	6,427	58,257	20,264	103,095
Apr	*284,737*	*12,680*	*47,669*	*41,390*	*8,863*	*54,536*	*21,650*	*97,949*
May	*312,790*	*15,009*	*56,808*	*36,721*	*9,982*	*57,123*	*20,371*	*116,776*
				EXPORTS f.o.b.				
1958 Year	**233,899**	**8,004**	**41,782**	**23,184**	**3,614**	**59,954**	**20,050**	**77,311**
1959 1 QR	231,716	7,892	41,050	23,783	3,590	55,618	19,167	80,616
2 QR	251,831	8,910	43,792	27,567	3,649	63,721	20,327	28,865
3 QR	245,679	9,251	51,027	23,887	4,351	58,648	21,215	77,300
4 QR	284,626	11,252	49,905	29,608	5,209	69,548	25,282	93,822
Year	**253,468**	**9,327**	**46,443**	**26,212**	**4,200**	**61,884**	**21,498**	**83,904**
1960 *Jan*	*283,300*	*9,070*	*46,680*	*29,613*	*2,965*	*72,356*	*18,415*	*104,201*
Feb	*275,191*	*10,539*	*47,222*	*28,978*	*4,312*	*71,139*	*23,550*	*89,451*
Mar	*292.820*	*13,798*	*54,649*	*33,186*	*4,933*	*62,530*	*26,675*	*97,049*
1 QR	283,800	11,135	49,515	30,592	4,071	68,707	22,880	96,900
Apr	*282,098*	*11,641*	*49,116*	*30,980*	*4,169*	*70,985*	*23,450*	*91,757*
May	*287,458*	*11,576*	*49,143*	*32,871*	*5,703*	*68,378*	*23,070*	*96,717*

Monthly figures are provisional; quarterly figures are revised. Consequently, quarterly data do not always tally with the average of the three corresponding months.

B. NETWORK OF INTRA-EFTA TRADE — MAY 1960 (figure in italics = MAY 1959)

Value c.i.f. in thousand U.S. dollars

Imports from \ Importing country	Austria	Denmark	Norway	Portugal	Sweden	Switzerland	U. K.	EFTA countries combined
Austria		914 *(652)*	855 *(621)*	248 *(684)*	*2,471* *(1,467)*	4,102 *(2,767)*	3,257 *(2,157)*	11,847 *(8,348)*
Denmark	874 *(683)*		6,768 *(4,164)*	233 *(137)*	9,247 *(7,413)*	1,512 *(1,049)*	36,052 *(31,671)*	54,686 *(45,117)*
Norway	1,067 *(251)*	5,598 *(4,836)*		294 *(210)*	8,745 *(7,568)*	531 *(560)*	19,394 *(15,615)*	35,629 *(29,040)*
Portugal	130 *(172)*	452 *(499)*	200 *(210)*		618 *(463)*	462 *(258)*	3,957 *(2,603)*	5,819 *(4,205)*
Sweden	1,561 *(957)*	16,278 *(12,388)*	10,781 *(11,718)*	1,251 *(741)*		3,827 *(2,115)*	42,793 *(31,493)*	76,491 *(59,412)*
Switzerland	4,931 *(3,937)*	4,838 *(2,313)*	1,695 *(1,391)*	2,084 *(1,368)*	4,247 *(3,494)*		11,323 *(8,040)*	29,118 *(20,543)*
United Kingdom	6,446 *(3,786)*	28,728 *(25,018)*	16,422 *(13,921)*	5,872 *(5,752)*	31,795 *(27,799)*	9,937 *(12,026)*		99,200 *(88,302)*
EFTA combined	15,009 *(9,786)*	56,808 *(45,706)*	36,721 *(32,025)*	9,982 *(8,892)*	57,123 *48,204*	20,371 *(18,775)*	116,776 *(91,579)*	312,790 *(254,967)*

Source: OEEC Statistical Bulletin, Series A, August 1960.

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